

Message Text

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PAGE 01 JIDDA 04734 151205Z

42

ACTION NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SS-20 USIA-15 FEA-02 HUD-02 FPC-01

DRC-01 CEA-02 /164 W

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R 151145Z AUG 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 8269

INFO AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY KUWATI

UNCLAS JIDDA 4734

E.O. 11652: N/A

TAGS: EFIN, ECON, ETRD

SUBJECT: FISCAL ACTIONS OF SAG

REF: (A) JIDDA 4600; (B) JIDDA A-93, SEPT 25, 1974

SAG ON AUGUST 12 OFFICIAL ANNOUNCED A NUMBER OF ACTIONS
DESIGNED TO REDUCE THE COST OF LIVING FOR THE PUBLIC:

1. CUSTOMS DUTIES HAVE BEEN VARIOUSLY ELIMINATED OR REDUCED
TO THREE PERCENT. THE DUTY HAS BEEN REDUCED TO THREE PERCENT
FOR THOSE ITEMS PREVIOUSLY AT 10 AND 5 PERCENT, AND FOR ALL
ROAD VEHICLES. MOST OTHER ITEMS ARE NOW DUTY FREE,
EXCEPT FOR CERTAIN GOODS PRODUCED LOCALLY (REF B) FOR WHICH
THE RATE REMAINS AT 20 PERCENT.

2. THE "ROAD TAX" -- A UNIVERSAL 2 PERCENT TAX ON INCOME FOR
ROAD CONSTRUCTION AND MAINTENANCE IS ABOLISHED.

UNCLASSIFIED

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PAGE 02 JIDDA 04734 151205Z

3. TAXES ON OIL PRODUCTS ARE ABOLISHED, AND THEIR

PRICES AT RETAIL OUTLETS STANDARDIZED THROUGHOUT THE KINGDOM. THIS WILL REDUCE THE PRICE OF GASOLINE TO ABOUT 17 CENTS PER GALLON, AND THE PRICES OF KEROSENE, AVIATION FUEL AND DIESEL FUEL BY ABOUT 12, 6, AND 50 PERCENT RESPECTIVELY.

4. MEDICINES, DAIRY PRODUCTS, MEAT, AND COOKING OILS ARE TO BE ADDED TO THE LIST OF SUBSIDIZED FOODSTUFFS. (ACTUAL LEVEL OF SUBSIDIZED PRICES IS YET TO BE SET.)

5. HALF THE VALUE OF LOANS EXTENDED BY THE REAL ESTATE DEVELOPMENT FUND FOR PRIVATE HOUSING IS IN EFFECT CONVERTED TO A GRANT, I.E. "THE FUND WILL ONLY RECOVER 50 PERCENT OF THESE LOANS."

6. ELECTRICITY RATES THROUGHOUT THE KINGDOM ARE REDUCED TO SEVEN HALALA (2 CENTS) PER UNIT FOR RESIDENTIAL USES AND FIVE HALALA (1.4 CENTS) FOR INDUSTRIAL USE. THE GOVERNMENT WILL PROVIDE SPECIAL ASSISTANCE TO PRIVATE ELECTRIC COMPANIES TO THE EXTENT NEED IS DEMONSTRATED.

COMMENT: THERE IS STILL ANOTHER SHOE TO BE DROPPED. WHILE RUMORS OF ANOTHER REVALUATION OF THE RIYAL HAVE ABATED, WIDESPREAD EXPECTATIONS OF A SUBSTANTIAL INCREASE IN GOVERNMENT SALARIES REMAIN.
HORAN

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